

Message Text

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ACTION NEA-10

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TO SECSTATE WASHDC PRIORITY 8006
INFO AMEMBASSY ATHENS
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SUBJECT: ECEVIT GOVERNMENT'S ECONOMIC PROPOSALS

REF: A) ANKARA 4724 (DTG 220515Z JUNE 77)(NOTAL),
ANKARA 4908 (DTG 290733Z JUN 77)(NOTAL)

SUMMARY. GOVERNMENT PROGRAM, READ BY PRIME MINISTER
ECEVIT TO PARLIAMENT JUNE 28, PLACED MAJOR EMPHASIS ON

ECONOMIC RECOVERY, ENDORSED CONTINUED RAPID INVESTMENT IN INDUSTRY AND AGRICULTURE, AND MENTIONED FOREIGN AND DOMESTIC RESOURCES--SOME NEW --THAT WOULD BE USED TO SUSTAIN HIGH GROWTH RATE. ALTHOUGH THERE WAS LITTLE THAT MIGHT BE CALLED SOCIALIST IN ITS CONTENTS, IT EMPHASIZED SOCIAL JUSTICE AND LABOR RIGHTS AND MENTIONED TAX AND LAND REFORM. TO JUDGE FROM ITS PROGRAM, ECEVIT'S GOVERNMENT, IF IT RECEIVES VOTE OF CONFIDENCE--AND OUTLOOK APPEARS DOUBTFUL RIGHT NOW--WOULD POSE NO THREAT TO AMERICAN ECONOMIC INTERESTS IN TURKEY. END SUMMARY.

1. GOVERNMENT PROGRAM READ BY PRIME MINISTER ECEVIT TO BOTH HOUSES OF PARLIAMENT JUNE 28 WAS HEAVILY ECONOMIC IN CONTENT. DETAILING GLOOMY PICTURE OF STATE OF TURKISH ECONOMY, ECEVIT BLAMED PREDECESSOR NATIONAL FRONT GOVERNMENT UNDER SULEYMAN DEMIREL FOR THIS SITUATION, AND CLAIMED RESOLVE AND ABILITY OF HIS REPUBLICAN PEOPLE'S PARTY GOVERNMENT IF IT RECEIVES VOTE OF CONFIDENCE, TO ACT QUICKLY TO TREAT "EXTREMELY GRAVE" PROBLEMS OF ECONOMY WITH SHORT-TERM REMEDIES CONSISTENT WITH LONG-TERM TARGETS. ECEVIT STATED AT BEGINNING OF PROGRAM THAT WITHOUT HEALING WOUNDS OF LAST 1 1/2 YEARS AND DIVISION AND FIGHTING BETWEEN GROUPS, THERE COULD BE NO HEALTHY FUTURE FOR TURKEY. ECONOMIC PORTION OF PROGRAM, ECHOING THIS THEME, PROMISED NEW CLIMATE FOR GROWTH: HARMONY WITHIN GOVERNMENT TO PERMIT IMPLEMENTATION OF AGREED PROGRAMS, SOCIAL AND ECONOMIC JUSTICE, LIMITED OFFICIAL USE

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AND INDUSTRIAL PEACE.

2. ECEVIT DECLARED HIS BASIC GOALS TO BE SPEEDY AND EXTENSIVE INDUSTRIALIZATION AND DEVELOPMENT OF AGRICULTURAL SECTOR, TO BE PURSUED TOGETHER IN ATMOSPHERE OF SPREADING SOCIAL JUSTICE. MODERATE IN CHARACTER, ECEVIT'S PROPOSALS OFFERED LITTLE TO OBJECT TO BY ANY ONE EXCEPT MEMBERS OF EXTREME LEFT, AND CONTINUED MAIN DIRECTION OF FORMER GOVERNMENT'S EXPANSIONARY ECONOMIC POLICY: HIGH GROWTH RATE SUSTAINED BY HIGH RATE OF INVESTMENT.

3. TO PAY FOR INVESTMENT, ECEVIT SAID HE WOULD NEED SUBSTANTIAL FOREIGN RESOURCES AND DOMESTIC SAVINGS. PROGRAM DOES NOT SYSTEMATICALLY DETAIL WHERE THESE WOULD COME FROM, BUT CERTAIN SOURCES THAT ECEVIT HAS IN MIND ARE MENTIONED PASSIM THROUGHOUT TEXT:

A. TO OBTAIN FOREIGN RESOURCES FOR DEVELOPMENT, ECEVIT PROPOSED:
--EXPANDING EXPORTS OF INDUSTRIAL, AGRICULTURAL AND PROCESSED MINERAL PRODUCTS;
--DEVELOPING TOURISM;

--ACCEPTING FOREIGN DIRECT INVESTMENT WITHOUT HIGH IMPORT NEEDS.
--OBTAINING FOREIGN CREDITS, A POINT IMPLICIT RATHER THAN
DISCUSSED;
--REDUCING DEPENDENCE ON IMPORTED ENERGY THROUGH CONSERVATION
AND DEVELOPMENT OF DOMESTIC ENERGY SOURCES, INCLUDING NUCLEAR
POWER PLANTS;
--ENCOURAGING INVESTMENTS IN TURKEY BY TURKISH
WORKERS ABROAD.

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FM AMEMBASSY ANKARA
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B. TO GENERATE DOMESTIC SAVINGS, PROGRAM PROPOSED:

--RESTORING PROFITABILITY OF STATE ECONOMIC ENTERPRISES,
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NOW HEAVILY IN DEFICIT;

--ESTABLISHING CREDIT AND BANKING POLICY THAT WOULD DIRECT
LENDING OF BOTH PRIVATE AND GOVERNMENT BANKS TOWARD PRO-
DUCTIVE PROJECTS IN INDUSTRY, AGRICULTURE, AND ANIMAL HUSBANDRY
AND AWAY FROM SPECULATIVE USES;

--REVISING TAX LAWS TO PROVIDE INCENTIVES FOR INVESTMENT IN
UNDERDEVELOPED REGIONS OF THE COUNTRY AND TO
DECREASE CONSPICUOUS CONSUMPTION;

--ASSISTING IN ESTABLISHMENT OF A PEOPLE'S SECTOR WHICH
WOULD GATHER SMALL INVESTMENTS FROM VARIOUS ORGANIZATIONS OF
PEASANTS AND WORKERS TO FORM BUSINESSES;

--STRENGTHENING COOPERATIVE MOVEMENT, ESPECIALLY IN AREAS
OF AGRICULTURE AND FORESTRY;

--NATIONALIZING AND DISTRIBUTING BIG LAND HOLDINGS, REQUIR-
ING COMPENSATION PAID TO LAND OWNERS TO BE PLACED IN PRODUCTIVE
INVESTMENTS;

--RUNNING INDUSTRIAL PLANTS AT HIGH CAPACITY;

--INCREASING AGRICULTURAL PRODUCTIVITY.

4. PUBLIC SECTOR INVESTMENTS, ECEVIT SAID, WOULD BE MADE IN
AREA OF INFRASTRUCTURE DEVELOPMENT--ROAD, RAIL, SEA, AND AIR
TRANSPORTATION; IRRIGATION PROJECTS, POWER PLANTS, AND TELE-
COMMUNICATIONS--ALL NECESSARY TO SUPPORT RAPID DEVELOPMENT OF
ECONOMY. GOVERNMENT WOULD ALSO PLACE SPECIAL EMPHASIS ON
DEVELOPMENT OF COAL, LIGNITE, PETROLEUM, IRON ORE, PHOSPHATE,
AND OTHER NATURAL RESOURCES. IT WOULD TRY TO COMPLETE
RAPIDLY FOURTH FIVE-YEAR DEVELOPMENT PLAN LEFT UNFINISHED BE-
CAUSE, HE CLAIMED, PAST GOVERNMENT WAS UNABLE TO AGREE ON ITS
OBJECTIVES.

5. IN AREA OF LABOR RELATIONS ECEVIT PROPOSED PROTECTION
AND WIDENING OF LABOR RIGHTS AND SOCIAL SECURITY FOR
TURKISH WORKERS. TO THESE ENDS HE ADVOCATED, IN PART,
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REPEAL OF LAWS LIMITING EFFECTIVENESS OF LABOR ORGANIZATIONS,
RIGHT OF WORKERS TO VOTE FOR LABOR UNION TO REPRESENT THEM
IN COLLECTIVE BARGAINING IN CASE OF CONFLICT ON ISSUE OF UNION
REPRESENTATION; INTRODUCTION OF UNEMPLOYMENT INSURANCE;
EQUAL RIGHTS AND PAY FOR WORKING WOMEN; ELIMINATION OF CHILD
LABOR; ABOLITION OF LOCK-OUTS; IMPROVED SANITATION AND SAFETY

IN FACTORIES; AND PROTECTION AND EXPANSION OF RIGHTS OF
TURKISH WORKERS ABROAD. WHILE LABOR PROGRAM, IF ADOPTED,
WOULD VASTLY IMPROVE POSITION OF TURKISH WORKERS,
IT IS ONLY MODEST STOP TOWARD BRINGING THEM SOME OF
ADVANTAGES LONG ENJOYED BY WORKERS IN WESTERN EUROPE AND NORTH
AMERICA.

6. OTHER POINTS OF INTEREST:

A. FOREIGN:

--ECEVIT STATED HIS INTENTION OF TAKING STEPS WITHOUT DELAY
TO SOLVE TURKEY'S PROBLEMS WITH EUROPEAN COMMUNITY, PRO-
POSING TO REARRANGE TURKISH RELATIONS WITH EC IN FAVOR OF TURKEY;
--HE PROPOSED REGIONAL COOPERATION WITH MIDDLE EASTERN AND
MEDITERRANEAN COUNTRIES, WHICH HE NOTED HAD CONSIDERABLE
MEANS OF CAPITAL, AND INVITED JOINING OF BALKAN STATES IF
THEY WISHED. HE ALSO PROPOSED, ALONG WITH DEVELOPMENT OF
TRADITIONAL MARKETS, CULTIVATION OF ECONOMIC AND COMMERCIAL
RELATIONS WITH MIDDLE EAST, AFRICA, AND ASIA.

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC PRIORITY 8010

INFO AMEMBASSY ATHENS

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B. DOMESTIC:

--ECEVIT PROPOSED SPECIAL EFFORTS TO DEVELOP EASTERN AND
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SOUTHEASTERN ANATOLIA, BY LOCATING INDUSTRIES THERE; IMPROVING TRANSPORTATION AND COMMUNICATIONS TO THESE AREAS; AND DEVELOPING ECONOMY OF VILLAGES THROUGH COOPERATIVES THAT WILL ASSIST AGRICULTURAL PRODUCTION AND MARKETING, SUPPLY CHEAP TOOLS, AND UNDERTAKE INDUSTRIAL PRODUCTION. HE ALSO SUGGESTED ESTABLISHMENT OF "VILLAGE CITIES" (KOYKENTS), I.E., NEW SETTLEMENTS WHERE INFRASTRUCTURE, PUBLIC SERVICES, AND PRODUCTION CAN BE CENTRALIZED FOR WHOLE REGIONS, ENABLING PEASANTS TO INDUSTRIALIZE WITHOUT LEAVING THEIR SOCIETY AND LAND.

7. COMMENT: MODERATE ECONOMIC PROGRAM, WITH FEW SIGNS OF SOCIALISM IN IT, IS DESIGNED TO APPEAL TO BROAD RANGE OF PARLIAMENTARIANS AND COUNTRYMEN. DESPITE ECEVIT'S STRONG CRITICISM OF PREVIOUS GOVERNMENT, PROGRAM REFLECTS VIEW OF COALITION, AND APPARENT TURKISH CONSENSUS, THAT HIGH GROWTH RATE IS DESIRABLE AND SUSTAINABLE. FURTHER, ITS HIGH-GROWTH GOAL WILL NOT ANTAGONIZE NECMETTIN ERBAKAN, LEADER OF NATIONAL SALVATION PARTY, WHO COULD EVENTUALLY BE KEY TO FORMATION OF AN ECEVIT GOVERNMENT.

8. ECEVIT'S PROPOSALS FOR PAYING FOR INVESTMENT NEEDED TO MAINTAIN RAPID GROWTH CONTAIN SOME NEW EMPHASES AND THRUSTS, BUT BIG QUESTION REMAINS WHETHER, ALL COMBINED, THEY WILL YIELD SUFFICIENT FUNDS, DOMESTIC AND FOREIGN, TO BRING TURKEY'S INCOME MORE NEARLY IN LINE WITH ITS SPENDING AMBITIONS THAN HAS BEEN THE CASE OVER THE PAST FEW YEARS.

9. PROGRAM AVOIDS, NATURALLY, MANY UNPLEASANT SUBJECTS: HOW WILL INFLATION BE REDUCED AND WILL WAGE SETTLEMENTS BE CONTROLLED? FROM WHAT SOURCES WILL THE GOVERNMENT TAKE REVENUES TO COMPENSATE FOR A PROMISED REDUCTION IN TAXES FOR LOW AND MIDDLE-INCOME GROUPS? HOW WILL GOVERNMENT MANAGE TO REMOVE SUBSIDIES THAT BLOCK SHIFTS TO MORE EFFICIENT
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ECONOMIC ACTIVITIES, AS ECEVIT HAS SAID IT WOULD DO? MANY OF THE "HOW-TO" DETAILS OF HIS PROPOSALS REMAIN TO BE SPELLED OUT. IF ECEVIT IS GIVEN A CHANCE TO DO THIS, THEY MAY BE DISCOVERED TO BE MORE CONTENTIOUS THAN THEY PRESENTLY APPEAR.

11. NOW, THEY SEEM TO OFFER NO SPECIAL THREAT TO AMERICAN ECONOMIC INTERESTS IN TURKEY AND, IN FACT, IF ECEVIT WERE TO WIN VOTE OF CONFIDENCE, EMBASSY'S JUDGMENT IS THAT HIS PROGRAM WOULD IMPROVE ECONOMIC VIABILITY OF TURKEY AND CLIMATE FOR US BUSINESS HERE.

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